

Message Text

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ACTION L-03

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FM AMEMBASSY NASSAU

TO SECSTATE WASHDC 7899

INFO AMEMBASSY SAN JOSE

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E.O. 11652: N/A

TAGS: EFIN

SUBJ: CONVERSATION WITH SEC OFFICIALS ABOUT VESCO CASE

1. WITHOUT PRIOR WASHINGTON NOTIFICATION, SEC COMMISSIONER IRVING POLLACK CALLED EMBASSY MARCH 1 TO ASK IF HE AND MARVIN JACOBS OF HIS OFFICE, BOTH CURRENTLY IN NASSAU FOR NINE-NATION PLENARY SESSION OF VESCO LIQUIDATORS, COULD MEET WITH ME TO DISCUSS CASE. MEETING WAS HELD THAT EVENING WITH ONE OTHER EMBASSY OFFICER PRESENT.

2. AFTER GENERAL DESCRIPTION OF WORLD-WIDE EFFORT TO RECOVER VESCO FUNDS FOR INVESTORS, POLLACK SAID THAT IN BAHAMAS THAT EFFORT NOW CENTERS ON GETTING SOME DOLS 140 MILLION IN TRUST FUNDS TRANSFERRED FROM NASSAU'S DEFUNCT BAHAMAS COMMONWEALTH BANK TO MONTREAL BANK AND GAINING ACCESS TO COMPLETE AND UNDISTURBED BCB BOOKS. ON FIRST POINT, POLLACK REPORTED THAT COMMONWEALTH RECEIVERS ESSENTIALLY SATISFIED THAT FUNDS IN QUESTION ARE ACTUALLY VESCO TRUST FUNDS RATHER THAN PART OF BANK'S ASSETS. HE WAS OPTIMISTIC ABOUT OBTAINING SUPPORT OF CENTRAL BANK DIRECTOR DONALDSON IN EFFECTING TRANSFER. (POLLACK AND JACOBS IMPRESSED BY AND HIGHLY COMPLIMENTARY OF DONALDSON.)

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JACOBS, HOWEVER, POINTED OUT THAT DONALDSON, WHO HAD

DECLINED PREVIOUS INVITATIONS FOR OFFICIAL GCOB REPRESENTATION AT PLENARY SESSIONS IN U.S. AND EUROPE, WAS QUICK AND CLEAR IN DEFINING HIS STATUS AS THAT OF OBSERVER AT MARCH 1 MEETING. DESPITE THAT, BOTH POLLACK AND JACOBS AGREED THAT DONALDSON AND, FOR THAT MATTER, ENTIRE GCOB APPEARED TO BE COOPERATIVE AND ANXIOUS TO TIE UP MATTER NOW THAT VESCO NO LONGER IN BAHAMAS. IN RESPONSE TO MY QUESTION, POLLACK EXPRESSED JUDGEMENT THAT VESCO UNLIKELY TO RETURN TO BAHAMAS. JACOBS REPORTED RUMOR THAT VESCO HAS RECENTLY MADE A COVERT TRIP TO NASSAU BUT EXPRESSED SKEPTICISM AS TO ACCURACY OF REPORT.

3. JACOBS WONDERED HOW TO RAISE QUESTION OF ACCESS TO BANK'S BOOKS IN LIGHT OF GCOB'S SECRECY LAWS AND HEIGHTENED SENSITIVITIES ABOUT U.S. AGENTS' ACTIVITIES IN BAHAMAS. I SAID I HAD NO OBJECTION TO POLLACK'S MENTIONING TO DONALDSON POSSIBILITY THAT SUCH A REQUEST MIGHT BE FORTHCOMING THROUGH NORMAL ACCEPTED CHANNELS AND UNDERLINED FOR BENEFIT OF POLLACK AND JACOBS THAT THOSE CHANNELS WERE FROM DEPARTMENT THROUGH ME TO MINEXTAFF ADDERLEY. POLLACK RAISED QUESTION OF DIRECT COMMUNICATION BY PHONE WITH EMBASSY TO EXPEDITE REQUESTS. I INDICATED THAT IF SUCH REQUIRED FOR EXPEDITIOUS ACTION, I HAD NO OBJECTION SO LONG AS THIS ACCEPTABLE TO DEPARTMENT.

4. CONCERNING QUESTION OF FORM OF REQUEST, I TOLD POLLACK AND JACOBS THAT, ALTHOUGH WE STILL LACKED FORMAL EXCHANGE OF FINANCIAL INFORMATION TREATY WITH GCOB PENDING USG ANSWERS ABOUT "HAVEN" AND "TRADEWIND", GCOB WAS GENERALLY COOPERATIVE IN MEETING AD HOC REQUESTS. I NOTED HOWEVER THAT IT WAS VITAL THAT WE TOUCH PROPER BASES TO AVOID FUTURE MISUNDERSTANDING AND INDEED TO GAIN GCOB COOPERATION. MOST RECENT IRS REQUEST TO DONALDSON WAS HELD IN ABEYANCE UNTIL DONALDSON WAS ASSURED AMBASSADOR HAD TALKED TO MINEXTAFF ADDERLEY AND RECEIVED APPROVAL.

5. IN MORE GENERAL VEIN, POLLACK MENTIONED IN PASSING THAT DOLS 60 MILLION OF VESCO FUNDS STILL UNACCOUNTED FOR AND PRESUMABLY INVESTED BY VESCO IN COSTA RICA AND PANAMA, PRINCIPALLY IN COSTA RICAN BONDS AND IN LOAN TO PROMINENT LIMITED OFFICIAL USE

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COSTA RICANS. HE WAS NOT VERY OPTIMISTIC ABOUT EXTRADITION PROSPECTS AND SAID REPORTED APPLICATION BY VESCO FOR COSTA RICAN CITIZENSHIP, IF SUCCESSFUL, COULD END MATTER.

6. COMMENT: SEC REQUIREMENTS IN THIS CASE AGAIN POINT UP NEED OF ACTION (NASSAU 0288) CLEARING WAY FOR INFORMATION EXCHANGE TREATY WITH GCOB. SENSITIVITIES OF LATTER CONCERNING RECENT IRS ACTIVITIES HERE ALSO MAKE IT IMPERATIVE THAT

HANDLING OF VESCO MATTER WITH GCOB BE ABOVE BOARD, THAT EMBASSY
BE KEPT CURRENTLY INFORMED OF PROPOSED SEC ACTIVITIES IN
BAHAMAS AND THAT ANY REQUESTS FOR INFORMATION OR OTHER ASS-
ISTANCE BE PRECEDED BY OPPORTUNITY FOR ME TO TOUCH BASE WITH
APPROPRIATE GCOB MINISTER OR MINISTERS. FINALLY, SINCE
POLLACK AND JACOBS IN MEETINGS ON MARCH 2 FROM MORNING THROUGH
POINT OF EARLY AFTERNOON DEPARTURE, WE HAVE NO LATE READING
ON OUTCOME. AMONG OTHER MATTERS, EMBASSY WOULD BE INTERESTED
IN KNOWING WHETHER POLLACK RAISED ISSUE OF ACCESS TO BOOKS
WITH DONALDSON AND IF SO WITH WHAT RESPONSE. DEPARTMENT MAY
WISH TO CONTACT SEC FOR FULLER DEBRIEF WHICH OF COURSE WOULD
ALSO BE OF INTEREST TO US.
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